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Statement of
LUIS P. SALAVERIA
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION

Tuesday, March 24, 2015
8:30 a.m.
State Capitol, Conference Room 325

in consideration of
HCR 222 / HR 155

**REQUESTING THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT,
AND TOURISM TO CONVENE A TASK FORCE TO DEVELOP
RECOMMENDATIONS TO DIVEST PUBLIC INVESTMENTS FROM FOSSIL FUELS.**

Chair Lee, Vice Chair Lowen, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) offers comments on HCR 222 / HR 155, which requests that DBEDT convene a task force to develop recommendations to divest public investments from fossil fuels and to report on its findings to the Legislature.

Public investments are outside of the purview of DBEDT, and as such, we lack the necessary human and financial resources to carry out the tasks in this resolution.

DBEDT defers to the Department of Labor and Industrial Relations, the Employees' Retirement System, the University of Hawaii, and the Department of Budget and Finance on their respective implementation of this measure.

Thank you for the opportunity to offer these comments on HCR 222 / HR 155.

TESTIMONY BY KANOE MARGOL
INTERIM EXECUTIVE DIRECTOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII

TO THE HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION
ON

HOUSE CONCURRENT RESOLUTION NO. 222
AND
HOUSE RESOLUTION NO. 155

MARCH 24, 2015, 8:30 A.M.

REQUESTING THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND
TOURISM TO CONVENE A TASK FORCE TO DEVELOP RECOMMENDATIONS TO DIVEST
PUBLIC INVESTMENTS FROM FOSSIL FUELS.

Chair Lee, Vice Chair Lowen and Members of the Committee,

HCR 222 and HR 155 request that the Department of Business, Economic Development, and Tourism (DBEDT) convene a task force comprised of representatives from the DBEDT, Department of Labor and Industrial Relations, the Employees' Retirement System (ERS), the University of Hawaii, Investors with experience in non-fossil fuel investments and portfolios and other sectors of the community to develop recommendations to divest public investments from fossil fuels.

The ERS supports the general effort of the Legislature to make Hawaii less dependent on unsustainable energy sources and supports community and legislative safeguards for the natural resources and the environment of Hawaii and the globe. While the proposed legislation highlights that fossil fuel divestiture may have an impact on an industry that contributes to state and global environmental problems, the ERS and its Board of Trustees urges this Committee to keep in view the Resolutions' assertions that it is the State's "mission to support its beneficiaries without harming taxpayers."

The Board's responsibility regarding the ERS investment program is outlined in a robust and extensive Investment Policy Guidelines Procedures Manual which devotes a full chapter on Socially Responsible Investing (SRI). Falling within the realms of ERS SRI is the consideration of environmental, social and corporate governance in selection of investment companies.

- Features of the ERS SRI strategy include:
 - Avoiding companies whose records conflict with ERS investment values;
 - Seeking out companies whose record is consistent with ERS values;
 - Targeting investments directly into communities;
 - Taking an active role as a shareholder in influencing corporate policies; and
 - Evaluating environmental, social, and governance (ESG) issues.

The ERS is governed by a strong Board of Trustees with independent advice from consultants chosen through a competitive bid process every three to five years and in-house professional investment staff. The ERS has been recognized nationally for a 2015 Investor Intelligence Award nomination in the category of Good Governance. In addition to safe-guarding the Fund's stability and sustainability, good governance involves the balancing of the Fund's investment returns with good citizenship through environmental awareness, ethical behavior, internal controls, performance measurement and sound corporate governance practices.

Because the ERS already demonstrates the qualities of a best practice, good governance, and socially responsible investing of a pension plan sponsor, it encourages caution regarding the proposed task force's mandate. The ERS and its Board of Trustees has conscientiously worked with the Legislature and within its own prudent guidelines to reduce the System's unfunded liability, which currently stands at \$8.6 billion. This unfunded liability is not just the ERS' problem it is the State's and Counties' problem. To the extent that the ERS and its Board of Trustees have a fiduciary responsibility to meet certain performance objectives with an acute awareness of its growing pension and unfunded liabilities, formalizing fossil fuel divestiture of ERS investments may make it difficult to achieve these performance objectives.

On behalf of the Board of Trustees and staff of the ERS, thank you for this opportunity to testify on this important legislation.

lowen2-Thomas

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 23, 2015 10:31 AM
To: EEPtestimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for HCR222 on Mar 24, 2015 08:30AM*

HCR222

Submitted on: 3/23/2015

Testimony for EEP on Mar 24, 2015 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	350.org	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 23, 2015 9:09 PM
To: EEPtestimony
Cc: davidsher@juno.com
Subject: Submitted testimony for HCR222 on Mar 24, 2015 08:30AM

HCR222

Submitted on: 3/23/2015

Testimony for EEP on Mar 24, 2015 08:30AM in Conference Room 325

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Sherry Pollack	Individual	Comments Only	No

support

Comments: Aloha As an employee for the State of Hawaii and therefore a member of the Employees' Retirement System (ERS), I strongly urge that action be taken by our legislature to move Hawaii toward divestment from fossil fuels. For all the points clearly articulated in this resolution, if we don't take action soon to help stabilize our climate, we are only contributing to our own demise. The time to talk and debate has already passed us. As it stands, this resolution has a timeline of a year before task force findings would even begin to propose legislation. That is why I recommend that given what we already know and what is spelled out in this resolution, that the resolution be amended to specify that no new investments be allowed to be made in the fossil fuel industry until the task force findings are submitted and evaluated. Respectfully, Sherry Pollack Ahuimanu

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